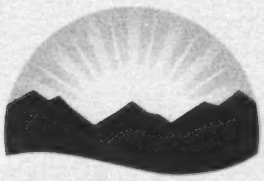
Legal Services Society

2014/15
ANNUAL SERVICE PLAN REPORT

Legal
Services
Society

British Columbia
www.legalaid.bc.ca



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Board Chair's Message and Accountability Statement

The past year demonstrated the society's ability to lead justice reform while continuing to deliver effective and efficient legal aid services to British Columbians with low incomes.

2014/15 saw the successful launch of five pilot projects designed to improve access to justice; the replacement of the society's obsolete client management information system with new technology that will improve operational efficiency; and the initial work on an innovative online tool that will assist people to resolve legal problems on their own. Each of these projects is part of a long-term strategy to address risks identified in previous service plans.

The society also signed a new three-year Memorandum of Understanding with the Ministry of Justice and adopted the Taxpayer Accountability Principles, including the Standards of Conduct Guidelines for the BC Public Sector.

The five pilot projects noted above are funded by the Ministry of Justice, which is providing $2 million a year for three years. Four of the projects focus on services for children and families. This reflects the board's priorities and its concern that more legal aid family services are needed. Independent evaluation of these projects will determine their ongoing viability and will help the society and the ministry determine whether collaborative projects can be used in the future to develop programs that better address legal aid clients' needs.

LSS assesses its performance by surveying key stakeholders every three years. In 2014/15, we surveyed our clients, and the results reported show that LSS equalled or surpassed prior client survey results.

I would like to thank the society's staff for the many hours they spent on the projects noted in this report in addition to their day-to-day work, and extend my thanks to the Attorney General and her staff for their commitment to legal aid and improving the lives of those in need. I would also like to acknowledge the work of the many private bar lawyers who continue to take legal aid referrals and to assure them that LSS recognizes the need to improve the tariff structure.

Accountability Statement

The *Legal Services Society's 2014/15 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the 2014/15 – 2016/17 Service Plan. I am accountable for those results as reported.

Tom Christensen
Chair, LSS Board of Directors

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Purpose of the Organization

The Legal Services Society (LSS) provides legal aid in British Columbia. Created by the Legal Services Society Act in 1979, LSS is a non-profit organization, independent of government (see www.legalaid.bc.ca/about/ourMandate.php). Our priority is to serve the interests of people with low incomes. LSS is funded primarily by the provincial government and receives grants from the Law Foundation and Notary Foundation.

Legal representation services are available for financially eligible people with serious family, child protection, or criminal law problems. Legal representation is also available for people who face a refugee or deportation hearing, a Mental Health Review Panel or BC Review Board hearing, or who have a prison issue for which the Charter of Rights and Freedoms establishes a right to counsel.

We provide legal advice services through: criminal and family duty counsel in and out of courthouses across BC, immigration duty counsel for people in detention at the Canada Border Services Agency's enforcement centre in Vancouver, the Family LawLINE, and the Brydges Line telephone service for people who may be or have been arrested. LSS also provides family advice lawyers at eight locations throughout the province.

Public legal education and information (PLEI) is integral to our services. PLEI includes legal information, triage, community referrals, and assessment of eligibility for representation. Legal information and outreach services are delivered by intake workers, legal information outreach workers (LIOWs), an Aboriginal community legal worker (ACLW), local agents, and community partners. We provide legal education through training workshops, conferences, and webinars. We reach hundreds of intermediaries and advocates each year so that they are better able to help people with low incomes solve their legal issues. The public, intermediaries, and lawyers use our publications and websites. We collaborate with a wide range of community and government agencies to create and distribute our legal information to the people who need it. Our network of regional offices, local agents, and community partners work to ensure access to legal aid and other justice services throughout BC. Our community partner program expanded this year to better serve rural, remote, and Aboriginal communities.

Strategic Direction and Context

Strategic Direction

As per the 2014/15 Government Letter of Expectations (GLE), LSS has maintained a working group with the Ministry of Justice that meets every three weeks to discuss the budget development cycle, LSS's financial position, strategic service priorities, and the coordination of policy and program development, among other access to justice issues (see www.legalaid.bc.ca/about/ourMandate.php). LSS has demonstrated its commitment to transparency and accountability to the public, and we follow all relevant reporting and disclosure requirements. Our goals and initiatives continue to align with the government's priorities, as well as the strategic goals of the Ministry of Justice.

The government provided LSS with an addendum to the GLE, which relates to the newly developed Taxpayer Accountability Principles (TAP). While still in the early stages of TAP implementation, LSS has already taken many steps to ensure our goals and strategic direction are aligned with TAP.

On November 7, 2014, the LSS board moved to adopt TAP, including the Standards of Conduct Guidelines for the BC Public Sector, and directed the CEO to implement these principles and standards throughout the organization. At the same meeting, the board amended the Board Governance policy to incorporate principles of TAP and Standards of Ethical Conduct.

We have completed a new Standards of Conduct policy and have had all employees and affected contractors review and sign the new policy. LSS has started discussions with the Ministry of Justice on developing a Strategic Engagement Plan and Evaluation Plan, including how our performance measures alignwith TAP. In 2015/16, we will hosteducational sessions around the Standards of Conduct policy and TAP for all LSS staff. In 2014/15, LSS also signed a new three-year Memorandum of Understanding (MOU) with the Ministry of Justice.

Strategic Context

In 2014/15, LSS faced similar issues as in the past in dealing with unpredictable demand for legal aid services. We saw a deficit in our criminal legal aid budget due to higher than anticipated costs for those legal aid cases. Conversely, we experienced a surplus in the family legal aid budget, due in part to conservative eligibility measures used to offset the criminal deficit. We also saw changes in revenue in our funding tied to interest rate fluctuations. Unexpected fluctuations further complicate our service planning, even when they result in an increase in revenue. LSS acknowledges the work of the many private bar lawyers who continue to take legal aid referrals, and we recognize the need to improve the tariff structure despite the challenges we face in regard to revenue. Attracting and retaining lawyers throughout BC, particularly in rural and remote communities, continues to be a strategic priority to ensure we meet clients' needs.

LSS outlined three areas of risk in our 2014/15 service plan: justice innovation, financial resources, and delivering quality services. We worked to address justice system complexities and access issues by taking a leadership role in implementing five Justice Innovation Transformation Initiatives (JITI) projects. Launching these projects was our response to some of the inefficiencies or gaps in services that we have identified in the justice system. Pending successful project evaluations, we hope to expand these pilot initiatives with the support of the Ministry of Justice. We have already received positive feedback in the early stages of these projects.

Our second response to legal aid service gaps was the initiation of MyLawBC, a new interactive website. This project also reflects our efforts to pioneer innovative solutions in how we fill those gaps, such as the use of guided pathways on the website.

Implementation of a new Client Information System (CIS) addresses the risks we identified in having an obsolete client management system. It also responds to the issues previously identified in our Tariff Lawyer Satisfaction Survey and introduces business process efficiencies to align with the new Taxpayer Accountability Principles around cost-effectiveness, efficiency, and service delivery. For more details on these three major projects, please see Report on Performance on page 7.

Implementing three large multi-faceted projects concurrently placed significant strain on our internal operating capacity. Staff were expected to both conduct their day-to-day work and meaningfully participate in one or more major projects (JITI, CIS, MyLawBC). While we made operational adjustments, such as the addition of casual or contract staff, this did not eliminate the problem, and many key staff had significant workloads. This approach leads to retention and morale issues, which we will need to manage in 2015/16 due to the continuation of these projects and the limited resources for hiring additional staff. We plan to mitigate this risk by continuing to focus on employee engagement and conducting our regular bi-weekly operational management meetings, where we review capacity resource and project management needs.

Report on Performance

Between conducting our regular operational work, implementing major organizational projects, and adjusting to new reporting requirements, LSS had a busy 2014/15. This section outlines our performance in these areas. For a detailed explanation of how we performed against the GLE and TAP Addendum, please refer to the Strategic Direction section on page 5.

Operational Performance

In 2014/15, 989 lawyers took legal aid cases. We received over 38,000 applications for legal representation and were able to refer 70 percent of those applicants to a tariff lawyer. These are similar figures to the prior two years. The breakdown of clients by area of law (criminal, family, CFCSA, and immigration) also remained stable.

Applications and Referrals for all Areas of Law — 2014/15

	2014/15		2013/14		2012/13	
Legal Issue	Applications	Referrals	Applications	Referrals	Applications	Referrals
Criminal	25,227	19,852	25,214	19,569	25,662	19,636
Family	8,620	3,442	9,364	3,708	9,451	4,337
CFCSA	3,347	2,549	3,262	2,544	2,836	2,294
Immigration	981	714	865	638	1,186	857
Total	38,175	26,557	38,705	26,459	39,135	27,124

LSS continued its community partner program, which allows us to reach clients through community organizations located in areas that are more difficult to serve. LSS also continued to fund Gladue reports and support First Nations Courts by providing LIOW services, Aboriginal community legal worker services, duty counsel services, and financial support to Aboriginal elders at the courts. We saw an increase in visitors to our LSS and Family Law in BC websites in 2014/15, and launched a new Aboriginal website.

This year, we hosted six workshops (in Prince George, Creston, Fernie, Fort Nelson, Duncan, and Atlin) and three conferences (Provincial Advocates Conference and Provincial Settlement Workers Conference in partnership with the Law Foundation, as well as a provincial training event in partnership with Ending Violence Association) with a total of 782 participants. We designed these workshops and conferences to reach out to intermediaries who pass on the information learned to their clients.

Legal Aid Services Provided — 2014/15

	2014/15	2013/14	2012/13
Applications for legal representation	38,175	38,705	39,135
Referrals for legal representation	26,557	26,459	27,124
Referral rate	69.6%	68.4%	69.3%
Legal advice interactions[1]	131,934	133,128	135,561
Aboriginal Community Legal Worker interactions	1,247	1,128[2]	1,051
Legal Information Outreach Worker interactions	8,199	8,216	8,935
PLEI publications distributed	154,450	221,097	199,479
Average LSS website visits/month	33,270	33,160	28,577
Average Family Law in BC website visits/month	86,460	65,648	32,570
Average Aboriginal website visits/month[3]	1,053	—	—
Total intermediaries reached through LSS workshops and conferences	782	846	408
Direct one-to-one client assists by Community Partners[4]	12,139	—	—

[1]Includes circuit counsel, duty counsel, Brydges Line, and Family LawLINE.

[2]This number has been restated from 745 to 1,125 due to a reporting error.

[3]Site launched in July 2014.

[4]This data was not collected prior to 2014/15.

Project Performance

In 2014/15, LSS made significant progress on advancing major organizational projects along with its regular operational work.

Justice Innovation Transformation Initiatives (JITI) include five projects that pilot innovative criminal, family, and child protection legal aid services. In 2014/15, the Ministry of Justice began providing LSS with $2 million annually for three years for this purpose. This initiative aligns with LSS goals 1 to 4 and TAP under integrity, service, cost consciousness, and accountability. These new projects provide British Columbians with low incomes with increased access to legal information and advice to help them resolve their legal problems as quickly and efficiently as possible. Four of the projects involve services for children and families. This focus reflects the board's priorities for more family legal aid services. In 2014/15, LSS launched the following JITI projects:

- Enhanced Family LawLINE to provide up to six hours of service with the same lawyer for a single legal issue, where previously people received three hours in total, with no continuity of service from the same lawyer;
- Expanded Family Duty Counsel at the Victoria Justice Access Centre (JAC) to provide people with early legal advice, in addition to supporting a variety of other services at the JAC;
- Meditation referral services to help people resolve family matters concerning property, debt, spousal support, or child-related issues without going to court;
- The Parents Legal Centre, located at the Vancouver Law Courts at Robson Square, to help parents or guardians reach collaborative resolutions to child-protection issues; and
- Expanded Criminal Duty Counsel services at the Port Coquitlam courthouse to help clients achieve early resolution of their criminal law matter by providing continuity of service from the same lawyer until the matter is resolved or a trial is scheduled.

In 2014/15, LSS continued developing our new Client Information System (CIS) set to launch in early 2015/16. CIS will replace our outdated business technology with a more efficient and cost-effective system that will support service delivery over the long term. This priority action aligns with LSS goal 3 and TAP under service and cost-consciousness. While CIS operates behind the scenes of our services, it drives our business processes and generates data to make strategic and operational decisions. In 2014/15, we made large strides towards the finish line of this multi-year project with a large allocation of staff time to achieve our deliverables.

The third major project in 2014/15 was work on MyLawBC, an interactive website that guides users to a resolution of their everyday legal issues. This project supports all of our goals andaligns with TAP under service and cost-consciousness. MyLawBC is an exciting and innovative project that involves an international partnership, as well as local collaborations with public legal education and information (PLEI) providers and key stakeholders. Guided pathways to legal information and resources lie at the heart of MyLawBC. The site also includes a negotiation platform where former partners can work to resolve family law issues through online dialogue and can develop an agreement together. LSS has made progress on developing both features and will continue working on them in 2015/16.

In addition to these three major projects, LSS conducted follow-up to the Workplace Environment Survey (WES) held in 2013/14 by exploring the results in focus groups and by beginning to develop a

WES Action Plan for 2015/16. The goal of the action plan is to strengthen employee engagement, especially in light of the organizational project demands, which have placed a large strain on our internal operating capacity.

We also undertook work on the Child, Family and Community Service Act (CFCSA) Services evaluation, designed to help LSS better understand whether current services are meeting the needs of clients with child protection matters, and to identify opportunities to improve the efficacy of LSS CFCSA services. This project is significant because it is the first time LSS's child protection services have been evaluated in this way. In 2014/15, we collected information from LSS clients and a wide range of key stakeholders through surveys, interviews, and focus groups. The evaluation will conclude in 2015/16 with a final report and recommendations.

Overall satisfaction with legal aid continues to be rated positively by the majority of clients according to our triennial client services survey. Qualifying for a lawyer correlates strongly to clients' overall satisfaction with their legal aid experience; 76% of those who were provided with a lawyer say they are satisfied with the experience, compared to 41% who applied but did not get a lawyer. Similarly, case outcome also impacts how clients feel about LSS. Almost three-quarters (72%) of those whose case was fully resolved or who were found not guilty in a criminal case say they are satisfied with LSS, versus 61% of those whose case was partially resolved and 51% of those clients whose case is unresolved or (if a criminal case) were found guilty. When it comes to the ease of reaching someone at legal aid and filling out the required forms (i.e., accessibility), evaluations from LSS clients are generally positive and reflective of 2011 results. The helpfulness of legal aid services continues to be rated highly by clients, especially by clients receiving representation services.

Goals, Strategies, Measures, and Targets

LSS has four goals guiding our strategic and operational decisions. We first introduced these goals in 2008/09 after a broad consultation process that involved discussions with the LSS board, staff, and community members on the priorities for legal aid renewal, the future direction of legal aid in BC, and the society's vision, mission, and values. Our goals are client-centred and outcome-focused, as we believe these are the best approaches for delivering high quality, effective, and cost-conscious services in accordance with our mandate. These goals align with the strategic direction of the Ministry of Justice as well as the Taxpayer Accountability Principles (TAP). The table on the following page illustrates this alignment.

LSS Goal Alignment

LSS Goal	Ministry Strategic Goal Alignment	TAP Alignment
Goal 1: People with low incomes who have legal issues use LSS services.	Goal 1: The justice and public safety sector in British Columbia is fair; Goal 2: The justice and public safety sector in British Columbia protects people.	Service; Respect; Integrity
Goal 2: People with low incomes get help with related legal issues so they can solve and prevent legal problems.	Goal 1: The justice and public safety sector in British Columbia is fair; Goal 2: The justice and public safety sector in British Columbia protects people.	Service; Respect
Goal 3: LSS manages resources soundly.	Goal 3: The justice and public safety sector in British Columbia is sustainable.	Cost-consciousness; Appropriate Compensation; Integrity; Accountability
Goal 4: LSS provides leadership in justice innovation.	Goal 3: The justice and public safety sector in British Columbia is sustainable. Goal 4: The justice and public safety sector in British Columbia has the public's confidence.	Cost-consciousness; Service

Goal 1: People with low incomes who have legal issues use LSS services.

LSS needs to ensure our services are accessible, address the needs of clients, are culturally appropriate, and that the public is aware that these services are available.

Strategies

- Make it easier for clients to access legal aid services.
- Partner with Aboriginal and other underserved communities to deliver services that support positive client outcomes.
- Support service partners and front-line workers to deliver effective and efficient services.

Performance Measure 1.1: Percent of clients satisfied with the accessibility of LSS services

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percent of clients satisfied with the accessibility of LSS services[1]	N/A	N/A	N/A	73%	69%	N/A	N/A

[1] Data is from the triennial Client Services Survey. The 2013/14 survey was postponed to 2014/15 due to financial pressures. The next survey is scheduled for 2017/18.

Performance Measure 1.2: Percent of clients satisfied with the helpfulness of LSS services

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percent of clients satisfied with the helpfulness of LSS services[1]	N/A	N/A	N/A	66%	68%	N/A	N/A

[1] Data is from the triennial Client Services Survey. The 2013/14 survey was postponed to 2014/15 due to financial pressures. The next survey is scheduled for 2017/18.

Performance Measure 1.3: Percent of clients satisfied overall with LSS services

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percent of clients satisfied overall with LSS services[1]	N/A	N/A	N/A	66%	66%	N/A	N/A

[1] Data is from the triennial Client Services Survey. The 2013/14 survey was postponed to 2014/15 due to financial pressures. The next survey is scheduled for 2017/18.

Overall, client satisfaction with the accessibility and helpfulness of LSS services and support shows that we are providing clients with the services they need when and where they need them, fulfilling our mandate to help people solve their legal problems and to facilitate access to justice. Targets are set based on a reasonable expectation of improvement over results in baselines or the previous survey.

Goal 2: People with low incomes participate in solving and preventing legal issues.

Clients who are actively involved in resolving their legal issues tend to find more positive and lasting solutions.

Strategies

- Support service partners to inform clients about legal aid services and their rights.
- Support front-line workers to inform clients about legal aid services and their rights.

Performance Measure 2.1: Percent of clients satisfied with LSS support to help them participate in resolving their legal issues

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percent of clients satisfied with LSS support to help them participate in resolving their legal issues[1]	N/A	N/A	N/A	63%	66%	N/A	N/A

[1] Data is from the triennial Client Services Survey. The 2013/14 survey was postponed to 2014/15 due to financial pressures. The next survey is scheduled for 2017/18.

Performance Measure 2.2: Percent of lawyers satisfied with LSS support to increase their ability to engage clients in solving their legal issues

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percent of lawyers satisfied with LSS support to increase their ability to engage clients in solving their legal issues[1]	N/A	44%	N/A	N/A	N/A	46%	N/A

[1] Data is from the triennial Tariff Lawyer Satisfaction Survey. The next survey is scheduled for 2015/16.

Goal 3: People with low incomes get help with related legal issues so they can solve and prevent legal problems.

Clients' legal problems often arise from or lead to other problems such as health, housing, and debt issues. By working with other service providers to help clients get support for these issues, LSS can improve client outcomes as well as reduce clients' use of justice, health, and social services over the long term.

Strategies

- Collaborate with service partners to assess and refer clients to services for their related legal issues.
- Support front-line workers to assess and refer clients to services for their related legal issues.

Performance Measure 3.1: Percent of clients satisfied with the level of support LSS gave them to address their related legal issues

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percent of clients satisfied with the level of support LSS gave them to address their related legal issues[1]	N/A	N/A	N/A	52%	59%	N/A	N/A

[1] Data is from the triennial Client Services Survey. The 2013/14 survey was postponed to 2014/15 due to financial pressures. The next survey is scheduled for 2017/18.

Performance Measure 3.2: Percent of lawyers satisfied with LSS support for increasing their ability to help clients address related legal issues

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percent of lawyers satisfied with LSS support for increasing their ability to help clients address related legal issue[1]	N/A	33%	N/A	N/A	N/A	35%	N/A

[1] Data is from the triennial Tariff Lawyer Satisfaction Survey. The next survey is scheduled for 2015/16.

Performance Measure 3.3: Percent of lawyers who support the integrated approach to providing legal aid service

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percent of lawyers who support the integrated approach to providing legal aid service[1]	N/A	67%	N/A	N/A	N/A	69%	N/A

[1] Data is from the triennial Tariff Lawyer Satisfaction Survey. The next survey is scheduled for 2015/16.

Measures 3.1 and 3.2 assess the effectiveness of the support provided by LSS to clients and lawyers to help clients address their legal issues. Measure 3.3 indicates the level of support from lawyers in advancing this goal. Targets are set based on a reasonable expectation of improvement over results in baselines or the previous survey.

Goal 4: LSS manages resources soundly.

LSS must manage resources effectively and efficiently to ensure we are achieving the optimum benefit for the society's clients within available funding.

Strategies

- Foster employee engagement and organizational communication.
- Engage with and develop stronger relationships with legal aid lawyers.
- Improve information technology systems to respond to a changing environment.
- Improve the nimbleness and flexibility of LSS business processes to support capacity.

Performance Measure 4.1: Overall average employee engagement

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Overall average employee engagement[1]	67	N/A	69	N/A	N/A	N/A	70

[1] Data is from the triennial Workplace Environment Survey. The next survey is scheduled for 2016/17.

Performance Measure 4.2: Percent of lawyers satisfied with the overall support provided by LSS

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percent of lawyers satisfied with the overall support provided by LSS [1]	N/A	60%	N/A	N/A	N/A	62%	N/A

[1] Data is from the triennial Tariff Lawyer Satisfaction Survey. The next survey is scheduled for 2015/16.

Performance Measure 4.3: Number of new lawyers taking more than three referrals in the first six months

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Number of new lawyers taking more than three referrals in the first six months [1]	86	64	73	60	53	60	60

[1] Data is from our client information system and financial database.

Performance Measure 4.4: Budget-to-actual expenditure variance

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Budget-to-actual expenditure variance [1]	-1.10%	-1.73%	-2.26%	1.5%	-0.95%	1.5%	1.5%

[1] Data is from our client information system and financial database. To determine our budget-to-actual variance, we use the following calculation: Variance = 1 – (actual/budget).

Performance Measure 4.5: Percent of the public that supports the provision of legal aid services

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percent of the public that supports the provision of legal aid services [1]	91%	95%	93%	>90%	94%	>90%	>90%

[1] Data is from our annual Public Opinion Poll.

High employee engagement in the public sector, tracked by measure 4.1, is linked to improved service for clients. Measures 4.2 and 4.3 qualitatively and quantitatively assess our progress on maintaining a sustainable supply of lawyers to provide services to clients across BC. Maintaining a low budget-to-actual expenditure variance, measure 4.4, shows that we are effectively managing expenditures. Sustained public support for legal aid, measure 4.5, reflects public confidence in our services and how well we manage the organization. Targets are set based on a reasonable expectation of improvement over results in baselines or the previous survey.

Goal 5: LSS provides leadership in justice innovation.

LSS believes that innovation is needed to bring about the fundamental justice system changes required for clients to achieve timely and lasting resolutions to their legal issues.

Strategies

- Promote outcomes-based justice innovation initiatives.
- Pilot evidence-based legal aid initiatives to improve access and outcomes.
- Communicate LSS's strategic direction to stakeholders.

Performance Measure 5.1: Volume of references to LSS and justice innovation in academic literature, stakeholder reports, and media.

Performance Measure	2013/14 Baseline	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Volume of references to LSS and justice innovation in academic literature, stakeholder reports, and media.[1]	20	20+	42	20+	20+

[1] Data is from an annual search of academic literature, stakeholder reports, and media. Our methodology included tracking references to LSS in relation to its justice innovation ideas and projects through Google Scholar, Google News, and stakeholder websites. The search is limited to a specific set of search terms and conducted manually.

A high volume of references to LSS's justice innovation proposals in academic literature, stakeholder reports, and the media indicates that LSS's ideas are being reviewed and considered by key justice system decision makers and opinion makers. This reflects the growing reach of LSS's influence. It is the second year that we tracked this measure. In 2014/15, LSS received 42 positive references in the media, journal articles, and stakeholder publications. This is a significant jump from the prior year's 20 references, and we largely attribute this to the news generated from the launch of our five JITI pilot projects in 2014/15. In addition to the JITI-related news, there were also references to our evaluations, Aboriginal services such as Gladue reports, and resources for self-represented litigants. Targets for our measures are generally set based on a reasonable expectation of improvement over results in baselines or the previous survey. For this measure, it is too early to identify a trend or to assess whether this year's increase will be sustained. For those reasons, we used the baseline as the target and will re-assess this target next year.

Financial Report

The 2014/15 fiscal year was a year of investing for the future and managing to the bottom line. During the year, the society made major investments in the three projects: Client Information System (CIS), Justice Innovation Transformation Initiatives (JITI), and MyLawBC. LSS ended the fiscal year with a deficit of $118,109 (or equal to 0.15% of the total revenue).

The society continued its work on the CIS project, a replacement for our current case management system (CMS). This computer system is used to accept applications, make referrals to the private bar, manage the cost of the cases, and authorize payments to the private bar. At the end of the 2014/15 fiscal year, the project was in the final test phase, projected to be on budget, and scheduled to be operational in late April 2015.

Included in the operating transfer from the province was a three-year, $6.0 million commitment to the JITI project. By year's end, LSS had successfully planned, developed, and implemented five JITI projects at a cost of $2.0 million.

Planning for MyLawBC started during the fiscal year and will continue in 2015/16. The Law Foundation and the society worked together to defer part of the Law Foundation Grant to assure funding for the project will be available in future years.

The following discussion of the society's financial condition for the year ending March 31, 2015, should be read in conjunction with the society's audited financial statements. The financial statements have been prepared in accordance with generally accepted accounting principles for provincial reporting entities established by the Canadian Public Sector Accounting Board. LSS is accountable for how it uses all its funding under the *Budget Transparency and Accountability Act*.

Management Discussion and Analysis

Accumulated surplus

The operating result for the 2014/15 fiscal year was a $118,109 deficit. At March 31, 2015, the society's total accumulated surplus was $5.3 million, of which $4.3 million was restricted by the board for the CIS project. The balance of $1.0 million is restricted and not available for other purposes without approval by the board of directors.

Budget allocations

LSS allocated $54.6 million or 69.1% of its budget to contracted representation services this year. Salaries and benefits comprised the next largest budget item at $11.5 million, or 14.5% of the budget. Budget for building leases and amortization amounted to $2.3 million or 2.9%. The budget for JITI amounted to $2.0 million or 2.5 %. The budget for all other costs totalled $8.7 million or 11.0% (see table 7).

Revenue

LSS's revenues were $79.7 million this year. Although the province provided $2.0 million for the JITI projects in 2014/15, provincial funding decreased by $1.0 million from 2013/14 because that year LSS faced exceptional case volume pressures in criminal and child protection cases. These pressures led the province to provide additional one-time funding of $1.0 million plus authorization to LSS to access the accumulated surplus in the amount of $0.5 million. Interest rates continue to provide variations in income to the society. Funding from the Notary Foundation increased by 58% compared to the prior year, whereas the Law Foundation funding was stable but will decline in 2015/16.

Provincial funding

The provincial government provides the largest portion of the society's revenue. This funding is subject to a three-year Memorandum of Understanding (MOU) between LSS and the Ministry of Justice. The MOU outlines the anticipated provincially funded services for each year. It also defines how criminal cases are to be categorized and funded.

There are three criminal case categories:

- **Category A:** Fees and disbursements in relation to a case up to and including $75,000.
- **Category B:** Fees and disbursements greater than $75,000, up to and including $175,000, or where it is a court-appointed counsel case or a Charter-required counsel case.
- **Category C:** Fees and disbursements greater than $175,000 or where the case is one in which the rate payable to counsel exceeds the society's enhanced fee rate.

The MOU sets out priorities for reallocating surpluses to shortfalls among budget categories during the year. The society's obligation to provide services is limited to the funding allocated in the MOU for each specific area.

In addition to MOU funding, the provincial government provided specific funding for all Criminal Category C cases during the fiscal year. The total funding for these cases was $3.0 million, compared to $4.7 million in 2013/14.

Federal funding

The federal government contributes to the province up to $900,000 each year for immigration tariff expenditures in excess of $800,000. These funds are transferred from the federal government to the province and then to LSS, and are included as revenue as part of core provincial government funding.

Foundation grants

Both the Law Foundation and the Notary Foundation provide annual grants to LSS with revenue earned on trust funds held by their members. Since these funds are not included in the MOU, the society can allocate them at its discretion, based on LSS board priorities and service plan goals.

The Notaries Act requires the Notary Foundation to contribute 55% of their interest revenue to the society. The foundation provided $768,776 to LSS in 2014/15, an increase of $281,904 from 2013/14.

The Law Foundation provided the society with a 2014/15 operating grant of $3.6 million, unchanged from 2013/14, with $400,000 of this grant deferred for the MyLawBC project. An additional $135,000 of funding for projects was provided, with $99,445 of this amount recorded as revenue and the balance recorded as a liability pending completion of the projects.

Investments

The majority of the society's available cash is invested under the LSS board's investment policy, which permits the society to invest in low-risk investments. The total revenue for 2014/15 was $404,543, compared to $397,847 in 2013/14.

Expenses

LSS's expenses decreased to $79.8 million this year, compared to $80.6 million in 2013/14. Of this, $56.5 million was for contracted representation, $11.7 million for salaries and benefits, $2.1 million for building and amortization, $2.0 million for JITI, and $7.5 million for other costs. Tables 1 through 6 summarize the society's expenses for the past four years.

Tariff program expenses

The financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS), and expenses are consolidated and reported as programs. The tariff expenses reported in the financial statements include payments to the private bar, any direct service contracts, and an allocation for both public services (formerly application processing) and tariff administration costs (formerly tariff processing).

Tables 1 through 6 provide details of the costs included in the tariff expenses. Total expenditures for tariff programs were $66.6 million or 83.5% of total spending in 2014/15, compared to $70.6 million or 87.6% in 2013/14. The largest change was in the criminal tariff, which decreased $2.2 million due to a significantly reduced cost for Category C cases and allocations for public services and tariff administration. The family tariff decreased by $1.5 million due to a reduction in applications and a decrease in referral approval rates. The child protection tariff decreased $0.4 million due to a lower billing average per case.

The total cost of Criminal Category B cases for the year was $2.0 million, or $0.2 million greater than budgeted. This deficit was covered by transferring $0.2 million from deferred contributions, leaving $0.4 million in this fund at the end of the year. This amount is available for use in future years.

To determine the costs for tariff and duty counsel, LSS estimates the liability for services provided by the private bar. To arrive at this figure, we use an actuarial model that includes actual costs based on invoices received and estimated costs for work performed on all unbilled referrals made during the fiscal year. The calculation is 90% accurate, 19 times out of 20. The estimated tariff liability at the end of 2014/15 is $11.1 million. The actuarial model was last reviewed in 2012/13.

Salaries and benefits

Salary and benefit costs are subject to negotiated collective agreements and terms and conditions of employment. These agreements are approved by the society and the provincial government. The current BCGEU agreement expired on March 31, 2015, and is currently being negotiated. The PEA agreement was renegotiated and will expire on September 30, 2019.

Risks

During prior fiscal years, legislative changes were enacted that directly impacted LSS. The changes affected the criminal, family, and immigration tariffs. We may not be able to see and understand the impacts of these changes for up to three years. LSS will continue its practice of monitoring all tariff costs on a monthly basis to determine what fiscal impacts, if any, these legislative changes may have on LSS tariffs.

Increasing case costs and service demands will continue to be a risk that the society must manage. Success in analysis and forecasting tariff costs during the 2013/14 and 2014/15 fiscal years provided the information needed to work with the ministry to secure additional funding and approval to incur a deficit in fiscal 2013/14. The ability to manage demand continued to be critical to meeting budget targets.

The MOU created three categories for criminal cases and set limits on the amount the society can spend on a case before having to obtain special funding agreements. This has the effect of limiting the society's exposure to the ever-expanding costs of large criminal cases.

Long-term funding for immigration and refugee legal aid remains a concern for the society, as immigration volume pressures continue to fluctuate. The federal and provincial funding agreement that expired on March 31, 2012 was renewed for another five years, ending March 31, 2017, with status quo funding of $1.7 million.

For three of the past four years, the society has restricted capital spending in order to minimize deficits. Currently, after adjusting for CIS, LSS's capital asset book value represents 16.6% of their original cost. This is an indication that a majority of the assets are beyond their estimated useful life. Future maintenance costs are likely to increase if assets are not replaced.

Future outlook

The provincial government has approved the society's 2015/16 budget. The budget included an additional $2.0 million for JITI projects but did not include any additional funding for the legislative changes noted above.

However, changing volumes of applications in family and child protection and fluctuations in criminal invoicing patterns will create challenges for LSS, and will require us to monitor and report any changes throughout the year.

The trend of lower non-government revenues over the past six years is expected to continue. The amount of cash the society has to invest has declined over the past two years due to deficits and

investment in CIS, the new computer system, and will result in lower investment revenues. The Law Foundation grant for 2015/16 was reduced by 18% or $645,000.

Deferred contribution of Criminal Category B cases has declined by 67% over the past two years. The society's ability to fund these cases may be limited in the near future if costs continue to be in excess of the annual funding provided by the province.

External factors outside LSS's control, such as legislative and policy changes and government-initiated projects, could pose a financial risk for the society in 2015/16. The LSS/JAG working group reviews and discusses external issues that arise, including possible mitigation strategies for LSS.

Table 1 Criminal services*

	2012	2013	2014	2015	
				Actual	Budget
Tariff payments to lawyers	$24,396,385	$25,470,509	$26,817,715	$26,490,313	$23,845,800
Large cases	8,322,653	8,399,263	4,246,367	2,494,921	2,374,000
Duty counsel	5,751,224	5,790,691	5,966,578	5,999,898	6,031,900
Contracted representation services[1]	1,961,514	1,896,235	1,904,501	1,876,919	1,859,100
Public services	3,603,453	3,718,181	3,618,554	3,596,599	3,648,100
Tariff administration	1,886,183	2,001,160	2,085,283	1,935,780	2,164,100
Total criminal services	$45,921,412	$47,276,039	$44,638,998	$42,394,430	$39,923,000

* 2012 to 2013 figures were adjusted due to the removal of the "Other" line item in the Administration table.

[1] Includes Community Legal Assistance Society, West Coast Prison Justice Society, Downtown Community Court.

Table 2 Family services *					
	2012	**2013**	**2014**	**2015**	
				Actual	**Budget**
Tariff payments to lawyers	$10,885,862	$11,476,619	$10,382,476	$9,124,646	$10,426,000
Duty counsel[1]	3,248,341	3,501,466	3,531,770	3,436,539	3,461,500
Public services	1,069,940	1,089,487	1,134,019	1,030,236	1,368,000
Tariff administration	730,504	752,424	714,076	630,827	825,500
Total family services	$15,934,647	$16,819,996	$15,762,341	$14,222,248	$16,081,000

* 2012 to 2013 figures were adjusted due to the removal of the "Other" line item in the Administration table.

[1] Includes Family LawLINE, established November 2010.

Table 3 Child protection (CFCSA) services *					
	2012	**2013**	**2014**	**2015**	
				Actual	**Budget**
Tariff payments to lawyers	$6,135,280	$6,755,412	7,418,229	$7,029,972	$7,000,000
Public services	333,547	347,567	434,132	420,688	513,000
Tariff administration	296,541	304,328	357,068	325,403	338,000
Total CFCSA services	$6,765,368	$7,407,307	$8,209,429	$7,776,063	$7,851,000

* 2012 to 2013 figures were adjusted due to the removal of the "Other" line item in the Administration table.

Table 4 Immigration services*					
	2012	**2013**	**2014**	**2015**	
				Actual	**Budget**
Tariff payments to lawyers	$1,372,918	$1,141,615	1,302,061	$1,480,788	$1,350,000
Duty counsel	144,682	137,025	137,999	142,533	150,000
Public services	518,356	412,230	457,182	479,728	171,000
Tariff administration	71,377	56,727	68,263	75,141	74,000
Total immigration services	$2,107,333	$1,747,597	$1,965,505	$2,178,190	$1,745,000

* 2012 to 2013 figures were adjusted due to the removal of the "Other" line item in the Administration table.

Table 5 Other programs					
	2012	**2013**	**2014**	**2015**	
				Actual	**Budget**
Justice Innovation Transformation Initiatives (JITI)	—	—	—	$2,017,682	$2,000,000
Publishing	$1,425,538	$1,521,279	$1,539,942	$1,725,753	$2,042,000
Community engagement and support	798,316	873,834	823,771	1,038,401	1,001,000
Aboriginal Services	516,700	586,470	465,952	578,673	608,000
Total other programs	$2,740,554	$2,981,583	$2,829,665	$5,360,509	$5,651,000

Table 6 Administration*					
	2012	**2013**	**2014**	**2015**	
				Actual	**Budget**
Executive Office	$965,588	$1,149,881	$1,053,756	$1,175,862	$1,267,220
Strategic Planning, Policy, and Human Resources	1,846,834	1,948,674	1,741,110	1,962,507	2,070,675
IT Services	1,970,098	2,182,246	2,183,639	2,809,804	2,157,536
Finance and Administration	2,537,205	2,427,085	2,173,419	1,952,924	2,344,569
Total administration	$7,319,725	$7,707,886	$7,151,924	$7,901,097	$7,840,000

* 2012 to 2013 figures were adjusted due to the removal of the "Other" line item in the Administration table.

Table 7: Financial Resource Summary Table

$ millions	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Actual	2014/15 Variance	2013/14 – 14/15 Variance	2015/16 Budget	2016/17 Budget
Operating Revenue											
Contribution from Province	70.2	72.1	75.6	78.4	75.2	74.5	74.2	0.3	(1.0)	74.6	74.7
Other Income & Recoveries	6.0	4.8	5.1	5.1	4.9	4.6	5.5	(0.9)	0.6	4.0	4.0
Total Revenue	76.2	76.9	80.7	83.5	80.1	79.1	79.7	(0.6)	(0.4)	78.6	78.7
Operating Expenses											
Criminal Tariff	42.4	41.9	45.6	46.9	44.6	39.9	42.4	(2.3)	(2.2)	40.3	40.4
Family Tariff	14.7	15.1	15.8	16.7	15.8	16.1	14.2	1.8	(1.6)	14.6	14.6
Child Protection Tariff	5.4	5.8	6.7	7.4	8.2	7.9	7.8	—	(0.4)	8.2	8.2
Immigration Tariff	1.9	3.3	2.1	1.7	2.0	1.8	2.2	(0.4)	0.2	2.1	2.1
Justice Innovation Transformation Initiatives (JITI)	—	—	—	—	—	2.0	2.0	—	2.0	2.0	2.0
Publishing	1.5	1.4	1.4	1.5	1.5	2.0	1.7	0.3	0.2	1.5	1.5
Community Engagement	—	0.5	0.8	0.9	0.8	1.0	1.0	—	0.2	1.0	1.0
LawLine & Community Support	1.7	—	—	—	—	—	—	—	—	—	—
Aboriginal Services	0.5	0.5	0.5	0.6	0.5	0.6	0.6	—	0.1	0.6	0.6
Administration	9.6	7.7	7.2	7.5	6.5	7.2	7.5	(0.3)	1.0	7.4	7.4
Amortization	1.5	0.8	0.7	0.7	0.7	0.6	0.4	0.2	(0.3)	0.9	0.9
Total Expenses	79.2	77.0	80.8	83.9	80.6	79.1	79.8	(0.7)	(0.8)	78.6	78.7
Net Income from Operations	(3.0)	(0.1)	(0.1)	(0.4)	(0.5)	—	(0.1)	0.1	0.4	-	-
Capital Expenditures	0.3	0.2	0.3	0.9	2.8	3.6	2.1	1.4	(0.6)	1.4	0.7
Total Liabilities	18.1	20.0	18.3	18.8	16.5	—	17.0	—	—	—	—
Accumulated surplus/ Retained earnings	6.6	6.5	6.4	6.0	5.5	5.5	5.4	(0.1)	0.5	5.4	5.4

Note 1: The above financial information was prepared based on Canadian Public Sector Accounting Standards, except for the accounting treatment of deferred contributions.

Legal Services Society

Financial Statements 2014/2015

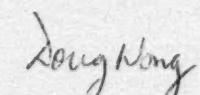
Legal Services Society management's responsibility for the financial statements

Management is responsible for the preparation of the society's financial statements. This responsibility includes maintaining the integrity and objectivity of the society's financial records, and presenting the society's financial statements in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Management maintains a system of internal controls that ensures all material agreements and transactions of the society are properly recorded. The society's financial statements for the year ended March 31, 2015 have been examined by PricewaterhouseCoopers LLP. Their examination was made in accordance with Canadian generally accepted auditing standards, and included obtaining a sufficient understanding of the society's internal controls to plan the audit.

The directors of the society's board are not employees of the society. The board of directors is responsible for determining that management fulfills its responsibilities in the preparation of the financial statements and the control of the society's financial operations. The board of directors meets with staff of PricewaterhouseCoopers LLP to discuss their audit work, the society's internal controls, and the financial statements. The board of directors is responsible for approving the financial statements.

Mark Benton, QC
Chief Executive Officer



Doug Wong, CPA, CA
Director, Finance and Corporate Services

May 14, 2015

Independent Auditor's Report

To the Board of the Legal Services Society and to the Minister of Justice and Attorney General, Province of British Columbia

We have audited the accompanying financial statements of the Legal Services Society, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year ended March 31, 2015 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation of these financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership

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Opinion
In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2015, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year ended March 31, 2015, and the related notes, are prepared, in all material respects, in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw your attention to note 3 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 17 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Accountants

Legal Services Society

Statement of financial position

as at March 31, 2015

	2015	2014
Financial assets		
Current assets		
Cash *(note 16)*	$ 1,434,501	$ 3,035,056
Investments *(notes 4 and 16)*	13,927,617	12,974,300
Accounts receivable		
Government of British Columbia	139,984	932,800
Government of Canada	848,806	615,284
Other *(note 16)*	583,722	520,130
Total financial assets	16,934,630	18,077,570
Liabilities		
Accounts payable and accrued liabilities		
General *(note 5a)*	2,321,459	2,207,831
Tariff *(note 5b)*	13,567,301	12,829,725
Employee future benefits *(note 6b)*	259,000	252,000
Deferred contributions *(note 7)*	443,690	630,553
Long-term liabilities *(note 8)*	468,400	565,200
Total liabilities	17,059,850	16,485,309
Net financial assets / (liabilities)	(125,220)	1,592,261
Non-financial assets		
Tangible capital assets *(Schedule 1)*	5,218,796	3,472,119
Prepaid expenses	246,119	393,424
Total non-financial assets	5,464,915	3,865,543
Accumulated surplus *(note 9)*	$ 5,339,695	$ 5,457,804
Contractual obligations *(note 12)*		
Contingent liabilities *(note 15)*		

The accompanying notes and supplementary schedule are an integral part of these financial statements.

Tom Christensen
Chair of the Board of Directors

Sheryl N. Lee, CPA, CA
Chair of the Finance Committee

Legal Services Society

Statement of operations and accumulated surplus

for the year ended March 31, 2015

	Budget *(note 11)*	2015	2014
Revenue			
Government of British Columbia *(note 13)*	$ 72,526,000	$ **72,243,711**	$ 75,193,824
Law Foundation	3,600,000	**3,299,195**	3,718,793
Justice Innovation and Transformation Initiatives (JITI)	2,000,000	**2,000,000**	—
Department of Justice — Canada *(note 19)*		**774,180**	189,789
Notary Foundation	450,000	**768,776**	486,872
Investment income	400,000	**404,543**	397,847
Miscellaneous *(note 19)*	115,000	**224,023**	70,737
Total revenue	79,091,000	**79,714,428**	80,057,862
Expenses *(note 10)*			
Criminal tariff	39,923,000	**42,394,430**	44,638,998
Family tariff	16,081,000	**14,222,248**	15,762,341
Child protection tariff	7,851,000	**7,776,063**	8,209,429
Immigration tariff	1,745,000	**2,178,190**	1,965,505
Justice Innovation and Transformation Initiatives (JITI)	2,000,000	**2,017,682**	—
Publishing	2,042,000	**1,725,753**	1,539,942
Community engagement	1,001,000	**1,038,401**	823,771
Aboriginal services	608,000	**578,673**	465,952
Administration	7,840,000	**7,901,097**	7,151,924
Total expenses	79,091,000	**79,832,537**	80,557,862
Annual deficit	—	**(118,109)**	(500,000)
Accumulated surplus at beginning of year	5,457,804	**5,457,804**	5,957,804
Accumulated surplus at end of year *(note 9)*	$ 5,457,804	$ **5,339,695**	$ 5,457,804

The accompanying notes and supplementary schedule are an integral part of these financial statements.

Legal Services Society

Statement of changes in net financial assets / liabilities

for the year ended March 31, 2015

	Budget *(note 11)*	2015	2014
Annual deficit	$ —	$ **(118,109)**	$ (500,000)
Acquisition of tangible capital assets	(3,561,000)	**(2,130,077)**	(1,795,001)
Amortization	623,912	**383,400**	607,182
	(2,937,088)	**(1,746,677)**	(1,187,819)
Acquisition of prepaid expenses	—	**(246,119)**	(393,424)
Use of prepaid expenses	—	**393,424**	515,957
	—	**147,305**	122,533
Decrease in net financial assets	(2,937,088)	**(1,717,481)**	(1,565,286)
Net financial assets at beginning of year	1,592,261	**1,592,261**	3,157,547
Net financial assets (liabilities) at end of year	$ (1,344,827)	$ **(125,220)**	$ 1,592,261

The accompanying notes and supplementary schedule are an integral part of these financial statements.

Legal Services Society

Statement of cash flows

for the year ended March 31, 2015

		2015		2014
Operating transactions				
Cash received				
Transfers from Government of British Columbia	$	**74,849,664**	$	74,958,407
Grants received		**3,895,997**		4,125,795
Interest		**404,543**		397,847
GST recovered		**—**		1,413,420
Other		**1,106,584**		381,005
		80,256,788		81,276,474
Cash paid				
Legal aid tariff		**55,785,372**		62,554,417
Salaries and benefits		**11,651,248**		10,930,942
Rent		**1,696,795**		1,722,199
Services		**2,368,919**		2,396,501
GST paid		**233,522**		—
All other		**7,038,093**		4,113,814
		78,773,949		81,717,873
Cash provided by operations		**1,482,839**		(441,399)
Capital transactions				
Cash used to acquire tangible capital assets		**(2,130,077)**		(1,795,001)
Investing transactions				
Investments purchased		**(5,000,000)**		(5,000,000)
Investments redeemed		**4,046,683**		7,668,503
Increase/(decrease) in cash and cash equivalents		**(1,600,555)**		432,103
Cash and cash equivalents at beginning of year		**3,035,056**		2,602,953
Cash and cash equivalents at end of year	$	**1,434,501**	$	3,035,056

The accompanying notes and supplementary schedule are an integral part of these financial statements.

Legal Services Society

Notes to the Financial Statements

for the year ended March 31, 2015

1. Overview

The Legal Services Society (the society) was established under the Legal Services Society Act on October 1, 1979 (as revised on May 31, 2007). The society is governed by a board of directors, of which five are appointed by the Province of British Columbia (the province) and four are appointed by the Law Society. The purpose of the society is to:

- assist individuals to resolve their legal problems and facilitate access to justice,
- establish and administer an effective and efficient system for providing legal aid to individuals in British Columbia, and
- provide advice to the Minister of Justice and Attorney General respecting legal aid and access to justice for individuals in British Columbia.

The society is not subject to income taxes.

2. Basis of presentation

These financial statements are prepared by management in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This section requires that financial statements be prepared in accordance with Canadian public sector accounting standards (PSAS), except in regard to government transfers as described in notes 3(a) and 17.

3. Significant accounting policies

(a) Revenue recognition

Revenues are recognized in the period in which the transactions or events that give rise to the revenues occurred. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Restricted contributions received or receivable are deferred and amortized into revenue as the related expenses are incurred. This approach complies with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. However, this accounting treatment is different from the requirements of the Canadian PSAS, which require that government contributions be recognized as revenue when approved by the transferor and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability. In this case, the transfer is recognized as revenue over the period that the liability is extinguished. See note 17 for the impact of this policy on the financial statements.

(b) Expenses

Expenses are reported on an accrual basis. The cost of services incurred during the year is expensed.

(c) Tariff expenses

Tariff expenses include amounts billed by lawyers to the society and an estimate of services performed by lawyers but not yet billed to the society.

(d) Employee future benefits

i. The society's employees belong to the Municipal Pension Plan, which is a multi-employer contributory pension plan. The cost of the defined benefit contributions is recognized as an expense during the year, and is based on the contributions required to be made during each period.

ii. The cost of non-vesting sick leave benefits is actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates, and discount rates.

(e) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the asset.

Tangible capital assets are amortized on a straight-line basis as follows:

Assets	Per year
Furniture	10 – 20%
Equipment	20%
Computer equipment	25 – 33%
Computer software	20 – 33%
Case Management System	10%
Leasehold improvements	Lower of lease term and useful life

Tangible capital assets are written down when conditions indicate that they no longer contribute to the society's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net writedowns (if any) are accounted for as expenses in the statement of operations.

(f) Asset retirement obligation

The society recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The society concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset.

The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted, risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in the statement of operations as an operating expense using the effective interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is depreciated over the remaining life of the asset.

(g) Prepaid expenses

Prepaid expenses include memberships, computer software licenses, and deposits. These items are charged to expense over the periods expected to benefit from them.

(h) Financial instruments

The society adopted PS 3450 — Financial Instruments effective April 1, 2012. Other than increased disclosures, the new standard did not materially impact the society's financial statements.

The society's financial instruments consist of investments, accounts receivable, and accounts payable and accrued liabilities. Cash, accounts receivable, and accounts payable and accrued liabilities are measured at cost. Investments, which comprise Guaranteed Investment Certificates, Provincial Bonds, Corporate Bonds, and Structured Bank Notes, are measured at amortized cost. The effective interest method is used to determine income.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A writedown of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

The fair values of the society's cash, accounts receivable, and accounts payable and accrued liabilities generally approximate their carrying amounts due to their short term to maturity. The fair values of the society's investments are disclosed in note 4. The fair value of the society's tariff accounts payable and accrued liabilities is not readily determinable.

(i) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas where estimates are significant to the financial statements include the tariff liabilities and expenses (note 18). Other areas where estimates are made include the valuation of accounts receivable, amortization of tangible capital assets, asset retirement obligation, non-vested sick leave benefits, and contingent liabilities.

Estimates are based on the best information available at the time of the preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from those estimates.

4. Investments

The carrying value of the society's investments is $13,927,617 (2014 — $12,974,300). Included in investments is $147,617 for accrued interest (2014 — $189,301). Investments have maturities ranging from April 2015 to May 2017 and rates of return ranging from 1.51% to 2.45%.

The investments have a market value at March 31, 2015, of $13,946,842 (2014 — $12,966,315). Investments are recorded at amortized cost less any writedowns associated with a loss in value that is other than a temporary decline.

5. Accounts payable and accrued liabilities

(a) General

	2015	2014
Trade payables	$ 1,604,815	$ 1,550,356
Payroll payables	716,644	657,475
Total	**$ 2,321,459**	$ 2,207,831

(b) Tariff

	2015	2014
Submittals approved, not paid	$ 1,510,665	$ 858,390
Submittals not approved	963,636	1,087,335
Accrual *(note 18)*	11,093,000	10,884,000
Total	**$ 13,567,301**	$ 12,829,725

The society uses an actuarial model to estimate legal services performed but not yet billed to the society. Management estimated the liability to be approximately $11,093,000 (2014 — $10,884,000). This estimate, included in the above table, incorporates average case costs and service billings for similar cases, based on historical experience over a two-year period. Actual costs could differ from this estimate (notes 3(i) and 18).

6. Employee future benefits

(a) Pension plan

The society and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusteed pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration of benefits. The plan is a multi-employer contributory pension plan. Basic pension

benefits provided are based on a formula. The plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 146 contributors from the society.

The most recent actuarial valuation as at December 31, 2012, indicated a $1.370 billion funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015, with results available in 2016.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, with the result that there is no consistent and reliable basis for allocating the obligation, assets, and cost to individual employers participating in the plan.

The society paid $821,233 for employer contributions to the plan in fiscal 2015 (2014 — $722,856).

(b) Non-vested sick leave

Employees are credited days per year, ranging from six to 10 days, for use as paid absences in the year due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit cost and liabilities related to the plan are included in the financial statements.

	2015	2014
Balance, beginning of year	**$ 252,000**	$ 235,000
Expense	**37,000**	36,000
Expected benefits paid	**(30,000)**	(19,000)
Balance, end of year	**$ 259,000**	$ 252,000

7. Deferred contributions

	Balance, beginning of year	Restricted contributions	Amortized to operations	**Balance, end of year**
Government of British Columbia — Category B	$ 630,553	$ 1,813,000	$ 1,999,863	**$ 443,690**

The society's Memorandum of Understanding (MOU) with the Minister of Justice and Attorney General of British Columbia provides for restricted funding for exceptional matters commencing with the 2003 fiscal year. Effective April 1, 2014, the MOU was revised to provide clarification on criminal case classification and funding of these cases.

There are now three categories:

- **Category A:** the first $75,000 of non-court-ordered cases paid at the standard rates. These cases are funded from the base criminal tariff budget.
- **Category B:** all costs greater than $75,000 and up to $175,000 of non-court-ordered cases paid at standard rates, and all costs of court-ordered cases up to $175,000 paid at standard rates. These cases are funded by a restricted contribution, and any surplus in these cases is transferred to deferred contributions. In the case of an annual shortfall in Criminal Category B cases, the society must first apply any eligible base criminal tariff surplus to the shortfall. Any remaining shortfall is then applied to deferred contributions.
- **Category C:** all costs greater than $175,000, or all costs where the hourly rate paid is greater than the standard rate. These cases are funded through a special funding agreement with the Ministry of Justice.

8. Long-term liabilities

Asset retirement obligation

Included within long-term liabilities is the society's accrual for its asset retirement obligation for the estimated costs of restoring certain leased facilities to their original condition at the end of the lease terms.

The following is a reconciliation of the changes in the asset retirement obligation during the year:

	2015	2014
Balance, beginning of year	**$ 565,200**	$ 537,000
Decrease in estimate	**(119,100)**	—
Accretion expense	**22,300**	28,200
Balance, end of year	**$ 468,400**	$ 565,200

The accretion expense is included in the premises expense. The undiscounted estimated cash flows required to settle the obligations ongoing to 2019 are $591,000 (2014 — $784,000). The cash flows are discounted using a credit-adjusted, risk-free rate of 5% (2014 — 5%).

9. Accumulated surplus

	2015	2014
Total accumulated surplus at end of year	**$ 5,339,695**	$ 5,457,804
Internally restricted for CIS project	**$ 4,300,000**	$ 4,300,000
Internally restricted for strategic initiatives	**1,039,695**	1,157,804

The board of directors has authorized the following restrictions on the accumulated surplus:

- In fiscal 2013, the board of directors restricted the entire accumulated surplus to be used for board-directed strategic initiatives and allocated $4.3 million of those funds for the CIS project (to replace the Case Management System), of which approximately $4.3 million has been committed to date and $4.0 million has been paid.
- CIS was installed and went live in April 2015. The accumulated surplus will be drawn down as the cost of the CIS project is amortized over the anticipated useful life of the asset.
- These funds are not available for other purposes without approval by the board of directors.

10. Expenses by object

The following is a summary of expenses by object:

	2015 Budget	**2015 Actual**	2014 Actual
Tariff	$ 43,996,000	**$ 45,738,974**	$ 49,557,303
Salaries and benefits	11,497,091	**11,710,417**	10,929,548
Duty counsel	9,643,400	**9,817,835**	9,468,955
Grants and contracted services	6,447,476	**4,726,457**	3,504,899
Premises	1,652,555	**1,696,795**	1,722,199
Local agents	1,742,447	**1,664,180**	1,675,555
Computers	984,766	**1,589,194**	1,052,957
Transcripts	1,000,000	**966,139**	894,636
Office	955,992	**882,154**	632,113
Miscellaneous	224,644	**396,227**	250,941
Amortization	623,912	**383,400**	607,182
Board expenses	199,508	**137,779**	172,427
Travel	123,209	**122,986**	89,147
Total	$ 79,091,000	**$ 79,832,537**	$ 80,557,862

Included in the above 2015 Actual expenditures is $2,017,682 for the JITI projects.

11. Budgeted figures

The operating budgeted figures, presented on a basis consistent with that used for actual results, were approved by the board of directors on March 18, 2014, and submitted to the Ministry of Justice. The ministry approved the budget on April 2, 2014.

12. Contractual obligations

The society has the following contractual obligations for long-term leases of its office premises, and other contractual obligations:

Year		2015
2016	$	1,050,775
2017		890,053
2018		920,429
2019		961,208
2020		734,013
Total	$	4,556,478

At year-end, the liability for future costs of legal services to be performed beyond the fiscal year, for which the society is currently committed, is estimated by management to be approximately $25.1 million. This estimate uses the same methodology as described in note 5 for tariff payables.

13. Related parties

The society is related to the Province of British Columbia and its ministries, agencies, and Crown corporations. In this relationship, the province provided funding in the amount of $74,243,711 (2014 — $75,193,824) and the society is responsible for providing legal aid to individuals throughout BC. At year-end, the province owed the society $139,984 (2014 — $932,800).

Certain members of the board of directors provide tariff services to the society. These services are provided in the regular course of business under the same terms and conditions as other lawyers. The total amount paid for their services during the year was $53,239 (2014 — $66,363). All payments to board members are reviewed by the finance committee on a quarterly basis.

14. Economic dependence

In 2015, the society received 93% (2014 — 94%) of its operating revenue from the province, and 4% (2014 — 5%) from the Law Foundation of British Columbia. The society depends on funding from these sources for the continuance of its operations.

15. Contingent liabilities

The nature of the society's activities is such that there is usually pending or prospective litigation at any time against the society. With respect to claims at March 31, 2015, management believes the society has valid defences and appropriate insurance coverage in place. Accordingly, no provision has been made in these financial statements for any liability that may result. In the

event that any of these claims are successful, management believes they will not have a material effect on the society's financial position.

16. Risk management

Credit risk

Credit risk is the risk of loss resulting from failure of an individual or group to honour their financial obligations. The society's accounts receivable are due primarily from government organizations and reputable organizations. The society's cash and investments are held at Canadian chartered banks, and Canadian financial institutions, respectively. The society is not exposed to significant credit risk.

At March 31, 2015, the following accounts receivable were past due but not impaired:

Other accounts receivable	**2015**	2014
Current	**$ 446,511**	$ 330,415
30 days	**478**	8,561
60 days	**5,005**	16,323
90 days	**34,563**	80,060
Over 120 days	**97,165**	84,771
Total	**$ 583,722**	$ 520,130

Liquidity risk

Liquidity risk is the risk that the society will not be able to meet its financial obligations as they fall due. The society's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow to fund operations and settle liabilities when due.

The maturity of the society's financial assets and liabilities as at March 31, 2015, was as follows:

	On demand	Up to 1 year	1 to 3 years	**Total**
Financial assets				
Cash	$ 1,434,501	—	—	$ 1,434,501
Investments	—	8,010,617	5,917,000	13,927,617
Accounts receivable	—	1,572,512	—	1,572,512
Total financial assets	**$ 1,434,501**	**$ 9,583,129**	**$ 5,917,000**	**$ 16,934,630**
Financial liabilities				
Accounts payable and accrued liabilities	—	4,795,760	—	4,795,760
Tariff accrual	—	11,093,000	—	11,093,000
Total financial liabilities	—	**$ 15,888,760**	—	**$ 15,888,760**

Market risk

Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The society is not exposed to significant currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the society's investments will change in fair value due to future fluctuations in market interest rates. The fair value of the investments, and the income they generate, varies as market interest rates vary. All other financial instruments are non-interest bearing. The society mitigates this risk by monitoring interest rates.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The society is not exposed to significant other price risk.

17. Impact of accounting for government contributions in accordance with section 23.1 of the Budget Transparency and Accountability Act

As disclosed in note 3(a), section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and its related regulations require the society to recognize restricted contributions into revenue as the related expenses are incurred. As these contributions do not contain stipulations that create a liability for the society, PSAS would require these contributions be recognized as revenue in the period when authorized and all eligibility criteria are met.

The impact of this accounting policy difference on these financial statements is as follows:

Date	Impact	Amount
March 31, 2013	increase in accumulated surplus and decrease in deferred contributions	$ 1,044,970
Year ended March 31, 2014	increase in annual deficit	$ (414,417)
March 31, 2014	increase in accumulated surplus and decrease in deferred contributions	$ 630,553
Year ended March 31, 2015	increase in annual deficit	$ (186,863)
March 31, 2015	increase in accumulated surplus and decrease in deferred contributions	$ 443,690

18. Measurement uncertainty

Program area		Amount reported	Measurement uncertainty	Range
Tariff accrual (*note 5b*)	Min	$ 11,093,000	$ (1,109,300)	$ 9,983,700
	Max	$ 11,093,000	$ 1,109,300	$ 12,202,300
Tariff and transcript expenses (*note 10*)	Min	$ 46,705,113	$ (1,109,300)	$ 45,595,813
	Max	$ 46,705,113	$ 1,109,300	$ 47,814,413

Variability in the tariff accrual arises from the rate at which cases proceed and changes in the average cost per case. In management's opinion, the tariff accrual and corresponding tariff expenses could change within a range of +/- 10%.

During the year ended March 31, 2013, the society engaged an independent actuarial firm to review the tariff accrual model. The review concluded that, in the aggregate, the tariff model remains appropriate for determining the amount to be accrued. The next review will be in January 2016 with the results reported in the March 31, 2016 financial statements.

19. Corresponding figures

Corresponding figures for miscellaneous revenue on the Statement of operations and accumulated surplus have been reclassified to Department of Justice — Canada to conform to the current year's presentation.

Schedule 1

Tangible capital assets

Cost

	Balance, beginning of year	2015 Additions	2015 Deletions	Balance, end of year
Furniture	$ 1,107,829	$ —	—	**$ 1,107,829**
Equipment	524,800	965	—	**525,765**
Computer equipment	956,973	27,415	—	**984,388**
Computer software	2,137,235	12,917	—	**2,150,152**
CIS computer system	1,906,835	2,088,780	—	**3,995,615**
Case Management System	1,126,527	—	—	**1,126,527**
Leasehold improvements	2,613,401	—	—	**2,613,401**
Total	$ 10,373,600	$ 2,130,077	—	**$ 12,503,677**

Accumulated amortization

	Balance, beginning of year	Additions	Deletions	Balance, end of year
Furniture	$ (822,229)	$ (60,411)	—	**$ (882,640)**
Equipment	(506,539)	(6,662)	—	**(513,201)**
Computer equipment	(823,716)	(83,551)	—	**(907,267)**
Computer software	(2,002,403)	(42,267)	—	**(2,044,670)**
CIS computer system	—	—	—	—
Case Management System	(1,126,527)	—	—	**(1,126,527)**
Leasehold improvements	(1,620,067)	(190,509)	—	**(1,810,576)**
Total	$ (6,901,481)	$ (383,400)	—	**$ (7,284,881)**

Net book value

	2015	2014
Furniture	**$ 225,189**	$ 285,600
Equipment	**12,564**	18,261
Computer equipment	**77,121**	133,257
Computer software	**105,482**	134,832
CIS computer system	**3,995,615**	1,906,835
Case Management System	—	—
Leasehold improvements	**802,825**	993,334
Total	**$ 5,218, 796**	$ 3,472,119

Appendix A: Additional Information

Vision, Mission, and Values

Our vision, mission, and values statements guide our work and reflect our commitment to an integrated legal aid model.

Our vision is a British Columbia where all people are able to find timely and lasting solutions to their legal issues that improve their quality of life.

Our mission is to provide innovative and integrated services that enable clients to effectively address their legal issues in a broad social context.

Our values:

- making a positive difference in our clients' lives through legal aid services
- engaging clients in finding solutions that meet their legal needs
- recognizing diverse cultures and perspectives
- compassion, integrity, and respect in our relationships with clients, staff, and stakeholders
- collaboration with service partners and stakeholders
- innovative approaches to solving problems
- excellence and continuous improvement
- accountability and openness

Corporate Governance

LSS is governed by a nine-member board of directors. The board is governed by policies and bylaws that reflect established best practices. To learn more about LSS governance, please see www.legalaid.bc.ca/about/ourGovernance.php